

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 DRC-01 /171 W

----- 055816

R 120856Z APR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1237

INFO USMISSION OECD PARS

C O N F I D E N T I A L TOKYO 4851

E.O. 11652 N/A

TAGS: EFIN, JA

SUBJ: RECENT GOJ BALANCE OF PAYMENTS MEASURES

PASS TREASURY AND FEDERAL RESERVE

SUMMARY: FOLLOWING ARE RECENT MEASURES TAKEN BY GOJ TO CURB
OUTFLOWS OF FOREX, AS WELL AS OTHER MEASURES
TAKEN TO ENCOURAGE ADDITIONAL FOREX INFLOWS. EDN SUMMARY.

1. TOURISM. EFFECTIVE APRIL 1, 1974, OF TIGHTENED
RESTRICTIONS AMOUNT OF FOREIGN CURRENCY JAPANESE
TRAVELLERS MAY TAKE OUT OF JAPAN. IN THE FUTURE, JAPANESE
TRAVELLERS WILL BE PERMITTED TO TAKE A MAXIMUM OF \$1,500
PER TRIP OUT OF THE COUNTRY, UNLESS AUTHORIZATION FOR A
GREATER AMOUNT IS SPECIFICALLY GIVEN BY BOJ. PRIOR TO
APRIL 1, THIS MAXIMUM HAD BEEN \$3,000. MOF ALSO REDUCED
THE AMOUNT OF YEN A TRAVELLER IS ALLOWED TO TAKE ABROAD
FROM THE PREVIOUS MAXIMUM OF Y100,000 TO Y30,000. SMALL
REMITTANCES ABROAD HAVE ALSO BEEN REDUCED TO A MAXIMUM OF
\$200 PER CASE FROM THE PREVIOUS MAXIMUM ALLOWANCE OF
\$100,000. AS A RESULT OF THE ABOVE CHANGES, ALLOWANCES
FOR FOREIGN TRAVEL HAVE NOW BEEN RETURNED TO APPROXIMATELY
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SAME LEVEL AS WAS CASE IN LATE 1971.

2. FOREIGN CURRENCY LOAN SYSTEM. ON APRIL 11 MOF FURTHER RESTRICTED BORROWING OF FOREIGN CURRENCIES FROM JAPAN EXIM BANK FOR INVESTMENT OVERSEAS. IN JANUARY LENDING UNDER THE SYSTEM WAS REDUCED FROM 90 PERCENT OF THE TOTAL PROJECT REQUIREMENT TO 50 PERCENT. THE NEW MEASURE APPLIES ONLY TO DIRECT INVESTMENT AND REQUESTS JAPAN EXIM BANK TO REDUCE ITS FOREIGN CURRENCY LOANS TO A LEVEL 20 PERCENT BELOW THAT OF A YEAR AGO. IN ORDER TO PREVENT THE COMMERCIAL BANKS FROM PROVIDING ADDITIONAL FUNDS, MOF BANKING BUREAU IS ASKING THEM TO "ACT DISCRETELY" IN PROVIDING YEN FINANCING FOR DIRECT INVESTMENT OVERSEAS. OFFSHORE FINANCING OF DIRECT INVESTMENT REMAINS GENERALLY UNRESTRICTED SO THAT THIS MEASURE IS PRIMARILY TO PROVIDE SUPPORT TO THE BALANCE OF PAYMENTS.

3. IMPACT LOANS. FOR THE CURRENT APRIL-JUNE QUARTER, NEW IMPACT LOANS. THIS FOLLOWS AN INCREASE OF ABOUT \$100 MIL PERMITTED IN FEB-MARCH. JAPANESE BANKS WILL BE ENTITLED TO PARTICIPATE IN SUPPLYING IMPACT LOANS DURING THE SECOND CALENDAR QUARTER. MOST OF THE APPROVED BORROWERS WILL CONTINUE TO BE PUBLIC UTILITIES COMPANIES. MOF WILL CONTINUE A "FLEXIBLE" POLICY IN DETERMINING THE AMOUNT OF NEW IMPACT LOANS THAT THE BANKS WILL BE PERMITTED TO MAKE DURING THE COMING MONTHS. EVIDENTLY THE MAIN CRITERION IS BALANCE OF PAYMENTS NEED.

4. LONG-TERM OVERSEAS BORROWING. DURING APRIL, THREE NEW PRIVATE ISSUES ABROAD TOTALING \$42 MIL HAVE BEEN APPROVED. PROCEEDS OF A \$20 MIL MITSUBISHI HEAVY INDUSTRIES ISSUE WILL NOT BE RECEIVED UNTIL MAY, HOWEVER. MOF HAS BEEN EXAMINING THE POSSIBILITY OF A SUBSTANTIALLY LARGER VOLUME OF NEW ISSUES ABROAD, PARTICULARLY GOVERNMENT-GUARANTEED BORROWING BY THE JAPAN DEVELOPMENT BANK AND/OR THE PUBLIC TELEPHONE CORPORATION. FINAL DECISION WILL NOT BE TAKEN UNTIL SEPTEMBER WHEN IT IS HOPED INTEREST RATES ABROAD WILL HAVE BEGUN TO EASE.

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5. EMBASSY HAS NOTED A FEW SIGNS THAT THE BALANCE OF PAYMENTS DEFICIT RATHER THAN DOMESTIC INFLATION IS NOW CONSIDERED TO BE THE NUMBER ONE ECONOMIC PROBLEM. THE DEFICIT ON CURRENT ACCOUNT DURING THE FIRST TWO MONTHS OF 1974 ALREADY AMOUNTS TO \$2.4 MIL, PARTLY DUE TO UNFAVORABLE SEASONAL FACTORS. THE PROVISIONAL MARCH B/P FIGURES WILL BE RELEASED NEXT WEEK AND NO DOUBT WILL BE READ CAREFULLY BY GOJ OFFICIALS AND THE PUBLIC.

IT IS LIKELY MINFIN FUKUDA WILL BE QUESTIONED ABOUT THE
B/P PROSPECTS IN TODAY'S LOWER HOUSE DIET SESSION
(AUDIT COMMITTEE). ALMOST EVERYONEHDOW REALIZES THAT
THE OFFICIAL FORECAST OF A CURRENT ACCOUNT DEFICIT
OF \$450 MIL IN JFY 1974 IS UNREALISTICALLY LOW.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOURISM, INFLATION, BALANCE OF PAYMENTS, CAPITAL FLOWS, FOREIGN EXCHANGE HOLDINGS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO04851
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740085-0217
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740444/aaaabnow.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by golinofr>; APPROVED <23 APR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT GOJ BALANCE OF PAYMENTS MEASURES PASS TREASURY AND FEDERAL RESERVE
TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005